

# EXHIBIT B

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-24-12  
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations

**DATE:** OCT 23 2002

**TO:** Thomas A. Scully  
Administrator

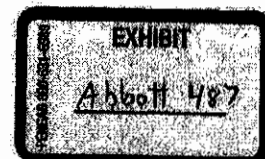
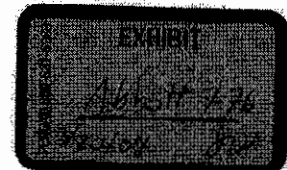
Ruben J. King-Shaw, Jr.  
Deputy Administrator and Chief Operating Officer

**FROM:** Director  
Center for Medicaid and State Operations

**SUBJECT:** Review of Medicaid Drug State Plan Amendments--DECISION

We are writing to seek your approval for criteria to be used for reviewing state plan amendments (SPAs) that seek to change the payment rates for drugs.

**REDACTED**



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REDACTED

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**REDACTED**

**OPTIONS**

The following options are for approvals of SPAs; denials would be determined on a case-by-case basis.

*For ingredient costs (EACs) --*

1. Approve SPAs that decrease the ingredient costs as long as the costs are no lower than those of any other state that has maintained adequate pharmacy participation.
2. Approve SPAs that provide an aggregate decrease in the ingredient costs as long as the costs are no lower than the levels of costs found by the OIG (i.e., approximately 17 percent for single source, 24 percent for innovator multiple source, and 66 percent for generics), as long as the state can demonstrate adequate access.
3. Approve SPAs to increase payment for ingredient costs if the costs are less than the national median.
4. Approve rates set in state statute provided they meet one of the above three criteria.

*For dispensing fees --*

1. Approve SPAs with higher dispensing fees for generics.
2. Approve SPAs with increases in dispensing fees when the proposed fee is less than the national median.
3. Approve SPAs with decreases in dispensing fees when the proposed fee is no less than what is paid by any other state.

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**RECOMMENDATION**

We recommend that we implement all of the above options. On SPAs that did not meet the above criteria, we would not automatically disapprove that SPA. We would look at the individual circumstances in the state as well as its supporting documentation and rational to decide whether to approve the SPA.

*Dennis G. Smith*  
Dennis G. Smith

**DECISION**

Approve

*Tara King*  
Signature

*4/16/08*  
Date

Disapprove

Signature

Date